



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief
FY 2009 Cash Collections through March 2009

Beginning in September 2008, the State of Rhode Island Monthly Revenue Brief will be prepared and distributed by the Rhode Island Department of Revenue (RI DOR). The revenue brief will adhere to the style and format of the monthly revenue brief previously issued by the State of Rhode Island Budget Office to the greatest extent possible. Thus, the RI DOR monthly revenue brief will be a comprehensive assessment of fiscal year-to-date revenue collections on all revenue sources estimated by the principals of the Revenue Estimating Conference (see RI General Law § 35-16-1).

Users of the report should be cautious when comparing year-to-date growth rates to the growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues occurs at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.

Total General Revenues

Annual Growth Rates	<u>Revised Growth Estimate</u> -9.2 %	<u>Actual YTD Growth</u> -11.4 %	<u>Base YTD Growth</u> -4.3 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$3.113 Billion	<u>Actual YTD Cash</u> \$2.047 Billion	

Fiscal Year 2009 total general revenues collected through March 2009 have decreased by 11.4 percent as compared to audited FY 2008 total general revenues collected through March of last year. This growth rate lags behind the revised growth rates of -9.2 percent that was adopted by the principals at the November 2008 Revenue Estimating Conference (REC). For the fiscal year-to-date period through March 2009, total general revenues were \$2.047 billion as compared to \$2.309 billion for the same period last year, a decrease of \$262.3 million. It is necessary to make adjustments to the cash collections for these two fiscal years in order to determine the base year-over-year fiscal year-to-date growth in collections.

In FY 2008 through March, a net total of -\$201.8 million of adjustments must be made. These adjustments include an increase of \$1.8 million to motor vehicle licenses and fees to account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada; a decrease of \$66.8 million in departmental Licenses and Fees for the

payment of the Hospital Licensing Fee in July 2007 for FY 2006; a decrease of \$12.9 million in departmental Sales and Services due to the one-time shifting in the receipt of the disproportionate share payment from Eleanor Slater hospital; and a decrease of \$124.0 million in Other Miscellaneous Revenues for the one-time receipt of residual Tobacco Settlement bond proceeds.

In FY 2009 through March, a net total of \$(29.4) million of adjustments must be made. These adjustments include an increase in Personal Income tax collections of \$38.6 million, an increase in Business Corporations tax collections of \$357,961, an increase in Financial Institutions taxes of \$3.0 million and an increase in Insurance Companies Gross Premiums taxes of \$3.4 million all for Historic Structures Tax Credits that were redeemed but will be reimbursed from the Historic Structures Tax Credit Fund upon the issuance of the bonds that were approved by the General Assembly for this purpose; an increase of \$1.7 million to motor vehicle licenses and fees to account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada; a decrease of \$70.3 million in departmental Licenses and Fees for the payment of the Hospital Licensing Fee in July 2008 for FY 2007; a decrease of \$987,863 in departmental Miscellaneous Revenues for the late posting of fourth quarter FY 2008 child support enforcement collections by the Department of Human Services; and a decrease in Other Miscellaneous revenues of \$5.1 million for the receipt of operating transfers from quasi-public agencies in October rather than June as is normally the case.

The necessary adjustments that need to be made are displayed in the table below:

Revenue Source	Adjustment	Year-to-Date FY 2008	Year-to-Date FY 2009
Personal Income	Add-back Historic Tax Credits taken	\$0	\$38,636,122
Business Corporations	Add-back Historic Tax Credits taken	\$0	\$357,961
Financial Institutions	Add back Historic Tax Credits taken	\$0	\$2,987,384
Insurance Companies	Add back Historic Tax Credits taken	\$0	\$3,420,334
Other Miscellaneous	Early receipt of transfers from Quasis	\$0	\$(5,100,000)
Motor Vehicle	Interstate trucking payments made	\$1,825,675	\$1,661,969
Licenses & Fees	Hospital Licensing Fee	\$(66,759,130)	\$(70,341,787)
Sales & Services	Disproportionate Share payment	\$(12,873,235)	\$0
Misc. Departmental	Child Support Enforcement collections	\$0	\$(987,863)
Other Misc. Revs.	Residual Tobacco Settlement proceeds	\$(124,000,000)	\$0
Total		\$(201,806,690)	\$(29,365,880)

Accounting for these revenue adjustments yields a base fiscal year-to-date growth rate of -4.3 percent for the first nine months of the fiscal year. It should be noted that the base year-to-date growth rate is not necessarily indicative of projected annual growth.

Taxes and Departmental Receipts

Annual Growth Rates	<u>Revised Growth Estimate</u> -4.8 %	<u>Actual YTD Growth</u> -6.9 %	<u>Base YTD Growth</u> -4.3 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$2.734 Billion	<u>Actual YTD Cash</u> \$1.813 Billion	

The Rhode Island Department of Revenue reports that FY 2009 taxes and departmental receipts collected through March 2009 have decreased by 6.9 percent as compared to audited FY 2008 collections for the comparable period a year ago. This rate of growth lags the revised FY 2009 rate of growth for Taxes and Departmental Receipts of -4.8 percent adopted by the conferees at the November 2008 Revenue Estimating Conference. For the fiscal year-to-date period ending March 2009, total taxes and departmental receipts were \$1.813 billion as compared to \$1.947 billion for the same period last fiscal year, a decrease of \$133.6 million.

The motor vehicle licenses and fees' late interstate trucking payments, the Hospital Licensing Fee, and the disproportionate share payment, result in a \$(77.8) million adjustment in FY 2008 for comparability between fiscal years. The Personal Income, Business Corporations, Financial Institutions, and Insurance Companies Historic Structures Tax Credits, the motor vehicle licenses and fees' late interstate trucking payments, the Hospital Licensing Fee and the child support enforcement late posting result in a \$(24.3) million adjustment in FY 2009 for comparability between fiscal years. These modifications yield a FY 2009 base growth rate in taxes and departmental receipts of -4.3 percent.

Other General Revenue Sources

Annual Growth Rates	<u>Revised Growth Estimate</u> -31.8 %	<u>Actual YTD Growth</u> -35.5 %	<u>Base YTD Growth</u> -4.1 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$379.5 Million	<u>Actual YTD Cash</u> \$233.8 Million	

FY 2009 other general revenue sources collected through March 2009 have decreased by 35.5 percent as compared to collections through March 2008. This rate of growth lags the revised FY 2009 rate of growth for Other General Revenue Sources of -31.8 percent adopted by the conferees at the November 2008 Revenue Estimating Conference.

Other general revenue sources include the Gas Tax Transfer to the general fund, Other Miscellaneous Revenues, the Lottery Transfer to the general fund, and Unclaimed Property that is transferred to the State in June of each fiscal year. For the fiscal year-to-date period

ending March 2009, total other general revenue sources were \$233.8 million as compared to \$362.6 million for the same period last year, a decrease of \$128.8 million. Of the \$128.8 million decrease, \$124.0 million represents the net proceeds from the sale of residual Tobacco Settlement bonds that were posted to the General Fund as Other Miscellaneous Revenue in FY 2008 and \$10.9 million represents the net decrease in the Lottery Transfer to the general fund for the first nine months of FY 2009 versus the first nine months of FY 2008. These decreases are offset in part by earlier than normal transfers from quasi-public agencies in FY 2009.

Total Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -4.5 %	<u>Actual YTD Growth</u> -5.9 %	<u>Base YTD Growth</u> -3.2 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$2.402 Billion	<u>Actual YTD Cash</u> \$1.614 Billion	

Total tax revenues for the fiscal year-to-date period through March 2009 were \$1.614 billion, or 5.9 percent less than the \$1.714 billion in total taxes collected in FY 2008 through March 2008. The FY 2009 revised growth estimate for tax collections is -4.5 percent for FY 2009 tax collections over audited FY 2008 tax collections. In FY 2008, motor vehicle license and fee revenues were underreported by \$1.8 million due to the late payment of FY 2007 interstate trucking fees. In FY 2009, motor vehicle license and fee revenues were underreported by \$1.7 million due to the late payment of FY 2008 interstate trucking fees. In addition, \$45.4 million of Historic Structures Tax Credits were redeemed against personal income, business corporations, financial institutions, and insurance companies gross premiums taxes in FY 2009. These modifications yield a base growth rate of -3.2 percent in total taxes for FY 2009.

Personal Income Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -5.8 %	<u>Actual YTD Growth</u> -9.0 %	<u>Base YTD Growth</u> -3.6 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$1.011 Billion	<u>Actual YTD Cash</u> \$643.5 Million	

Actual personal income tax collections for FY 2009 through March of the fiscal year were down \$63.9 million, or -9.0 percent, compared to the same period last fiscal year. The FY 2009 year-to-date growth rate lags behind the revised FY 2009 over audited FY 2008 growth rate of -5.8 percent in personal income tax collections. Total personal income tax collections for FY 2009 through March 2009 were \$643.5 million as compared to FY 2008 collections of \$707.5 million through March 2008.

Due to an estimating convention adopted by the principals at the May 2008 Revenue Estimating Conference, the year-to-date cash collections in Personal Income taxes need to be adjusted upward by the amount of historic tax credits that have been redeemed so that

comparisons can be made to the revised growth rate estimate. It is important to note that any historic structures tax credits that are redeemed in FY 2009 will be reimbursed from the Historic Tax Credit Fund's bond proceeds upon issuance. Adding back the \$38.6 million of redeemed historic structures tax credits to FY 2009 year-to-date cash collections yields a base fiscal year-to-date growth rate of -3.6 percent.

The table below is developed from information provided by the Division of Taxation, and breaks down personal income tax collections by component for FY 2008 and FY 2009 through March. It should be noted that slight differences may exist between the figures reported by the Division of Taxation and those reported by the Controller due to timing differences in the posting of revenues.

Component	YTD FY 2008	YTD FY 2009	Percent Difference	Revised Growth Estimate
Estimated Payments	\$150,449,702	\$117,145,876	-22.1 %	-17.8 %
Final Payments*	42,892,382	78,730,326	83.6 %	17.9 %
Withholding	689,128,955	679,628,660	-1.4 %	-0.4 %
Refunds/Adjustments	(175,002,905)	(193,346,539)	10.5 %	19.8 %
* \$38.6 million of redeemed Historic Structures Tax Credits have been added to actual cash collections in order to allow for comparison to the Revised Growth Estimate.				

FY 2009 year-to-date income tax refunds paid were \$18.3 million greater compared to the same period in FY 2008. This increase translates into a fiscal year-to-date growth rate of 10.5 percent. In FY 2009 through March, a total of 271,118 refunds have been issued with an average refund amount of \$512.22. This compares to 275,042 refunds issued with an average refund of \$486.29 through March of FY 2008. On average over the last five fiscal years, 60.6 percent of total income tax refunds are paid in the first nine months of the fiscal year.

Income tax withholding payments have decreased by \$9.5 million or -1.4 percent, through the first nine months of FY 2009 when compared to the same period in FY 2008. Withholding payments are forecasted to decline by 0.4 percent by the end of FY 2009 as compared to FY 2008. On average, over the past five fiscal years, 75.9 percent of income tax withholding payments is collected in the first nine months of the fiscal year.

Fiscal year-to-date FY 2009 final income tax payments received have increased substantially over the prior year once the \$38.6 million of historic structures tax credits are incorporated (for simplicity, it is assumed that all historic structures tax credits are taken against final payments). Fiscal year-to-date final income tax payments are up \$35.8 million. It should be noted that, on average, over the last five fiscal years only 21.6 percent of total final income tax payments are received in the first nine months of the fiscal year.

Finally, with respect to estimated income tax payments, year-to-date FY 2009 collections were down \$33.3 million from FY 2008 collections at this time last year. This decrease translates into a fiscal year-to-date growth rate of -22.1 percent. The actual growth rate in estimated income tax payments received between FY 2008 and FY 2009 exceeds the revised growth rate for estimated income tax payments of -17.8 percent. On average, over the last five fiscal years 65.9 percent of total estimated income tax payments are made by the end of March.

Sales and Use Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -1.6 %	<u>Actual YTD Growth</u> -3.0 %	<u>Base YTD Growth</u> -3.0 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$831.0 Million	<u>Actual YTD Cash</u> \$622.5 Million	

Sales and use tax collections in FY 2009 were down \$19.1 million, or -3.0 percent, relative to last fiscal year at this time. The monthly sales tax receipts reported here reflect the prior month's retail sales activity. For both FY 2008 and FY 2009, the state's sales tax rate is 7.0 percent. The actual year-to-date growth rate equals the base YTD growth rate.

The Division of Taxation provides the following component breakdown for sales and use tax collections through March:

Component	FY 2008	FY 2009	Nominal Difference	Percent Difference
Net Taxation	\$ 565,799,820	\$ 558,515,837	\$ (7,283,983)	-1.3 %
Registry	65,320,175	53,773,456	(11,546,719)	-17.7%
PPM	11,118,118	9,962,119	(1,155,999)	-10.4%

Within the sales tax components, registry receipts are down 17.7 percent in the first nine months of FY 2009 when compared to same period last fiscal year. Net sales tax receipts remitted directly to the Division of Taxation posted a decrease of 1.3 percent during FY 2009's first nine months versus the first nine months of FY 2008. Providence Place Mall (PPM) sales tax receipts were also down 10.4 percent through March of FY 2009 versus the same period in FY 2008. It should be noted that a one-time transfer of \$786,449 from the Net Taxation receipt account to the PPM receipt account was made in January 2008. This transfer was necessary to accurately reflect the taxable sales activity at PPM on a fiscal year-to-date basis.

General Business Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -8.7 %	<u>Actual YTD Growth</u> -7.7 %	<u>Base YTD Growth</u> -4.4 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$342.2 Million	<u>Actual YTD Cash</u> \$190.6 Million	

In general, businesses with Rhode Island tax liabilities make estimated payments of their tax year liabilities in March and June of the fiscal year, with 40.0 percent of the estimated total tax liability due in March and 60.0 percent of the estimated total tax liability due in June. The March report is generally the first report of the fiscal year in that allows for the determination of the adequacy of business tax collections relative to the revised growth rates adopted at the November 2008 Revenue Estimating Conference.

Total general business taxes collected in the fiscal year-to-date March 2009 period were \$190.6 million or \$15.6 million less than the \$206.4 million collected during the same period in FY 2008. The revised FY 2009 growth rate estimate over audited FY 2008 total general business taxes is -8.7 percent. The actual year-to-date growth rate for the first nine months of the fiscal year is -7.7 percent.

Due to an estimating convention adopted by the principals at the May 2008 Revenue Estimating Conference, the year-to-date cash collections in general business taxes need to be adjusted upward by the amount of historic tax credits that have been redeemed so that comparisons can be made to the preliminary estimate. Adding back the \$3.0 million of redeemed historic structures tax credits to FY 2009 year-to-date cash collections for financial institutions, \$357,961 of the same for business corporation tax, and \$3.4 million of the same for insurance companies gross premiums tax yield a base fiscal year-to-date growth rate of -4.4 percent.

FY 2009 year-to-date business corporations taxes are down \$25.5 million or -25.9 percent, from last fiscal year at this time. The revised FY 2009 growth rate estimate for business corporation taxes adopted at the November 2008 REC is -28.2 percent. Accounting for the \$357,961 of redeemed historic tax credits that have been taken against business corporations taxes yields an adjusted growth rate for business corporations taxes of -25.6 percent. On average, over the past five years, 63.2 percent of business corporations tax payments are made through the first nine months of the fiscal year.

The Division of Taxation reports the components of the business corporation tax through March as follows:

Component	FY 2008	FY 2009	Nominal Difference	Percent Difference
Estimated Payments	\$50,511,952	\$46,090,639	\$ (4,421,313)	-8.8 %
Final Payments	66,093,688	60,665,911	(5,427,777)	-8.2 %
Refunds/Adjustments	(18,373,729)	(33,845,623)	(15,471,894)	84.2 %

Health Care Provider Assessment taxes through March 2009 were \$35.6 million, a decrease of -9.6 percent over the same period in FY 2008. This growth rate lags behind the revised growth estimate of -8.2 percent adopted at the November 2008 Revenue Estimating Conference. On average, over the past five years, 73.2 percent of Health Care Provider Assessment tax payments are made by the end of March.

Public Utilities Gross Earnings taxes totaled \$56.0 million through March 2009 as compared to \$43.1 million through March of FY 2008, an increase of \$12.9 million or 29.9 percent. This growth rate exceeds the revised growth rate estimate of 5.1 percent adopted by the conferees at the November 2008 REC. This increase is attributable in part to the \$3.3 million "Safe Harbor" payment made in September 2008. This pattern has begun to develop over the past five years as a taxpayer makes an additional estimated payment to ensure that estimated payments for the tax year total the prior tax year's liability. These additional estimated payments have occurred in August of 2006 and September of 2005 although no such additional estimated payment was made in tax year 2007. On average, over the past five fiscal years, 44.3 percent of Public Utilities Gross Earnings tax payments are made by the end of March.

Financial institutions taxes decreased by \$1.5 million on a fiscal year-to-date cash basis in FY 2009 versus FY 2008; or a decrease of -115.8 percent vs. the revised growth estimate of 9.3 percent. These cash collections ignore, however, the fact that a financial-institutions taxpayer redeemed a historic structures tax credit for \$3.0 million in September 2008. The general fund will be reimbursed for the redemption of this tax credit from the Historic Structures Tax Credit Fund bond proceeds later in the fiscal year. Incorporating this redemption of an historic tax credit into Financial Institutions tax collections yields an adjusted growth rate of 116.8 percent. It should be noted that, on average over the last five fiscal years, 46.6 percent of Financial Institutions tax collections are received by March of a given fiscal year.

The Insurance Companies Gross Premiums tax is up 8.7 percent year-to-date. This compares to the revised growth rate of 13.2 percent adopted at the November 2008 REC. Insurance Companies Gross Premiums tax collections through March 2009 totaled \$25.5 million. These cash collections ignore, however, the fact that an Insurance Companies Gross Premiums taxpayer redeemed a historic structures tax credit for \$3.4 million in March 2009. The general fund will be reimbursed for the redemption of this tax credit from the Historic Structures Tax

Credit Fund bond proceeds later in the fiscal year. Incorporating this tax credit redemption into the fiscal year-to-date Insurance Companies Gross premiums tax collections yields an adjusted growth rate of 23.3 percent. On average, over the past five fiscal years, 47.2 percent of Insurance Companies Gross Premiums tax payments are made by the end of March.

In the first nine months of FY 2009 \$726,292 of Bank Deposits tax payments has been received as compared to \$630,733 through the first nine months of FY 2008. These collections yield a growth rate of 15.2 percent. On average, over the past five fiscal years, 35.4 percent of bank deposit tax payments are collected through March of the fiscal year.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Revised Growth Estimate</u> 2.4 %	<u>Actual YTD Growth</u> 3.7 %	<u>Base YTD Growth</u> 3.5 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$179.6 Million	<u>Actual YTD Cash</u> \$129.1 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date March 2009 period totaled \$129.1 million or \$4.5 million more than the \$124.5 million collected for the same period in FY 2008. FY 2009 motor vehicle license and fee revenues totaled \$30.1 million through March vs. \$29.2 million for the same period in FY 2008. The actual growth rate for FY 2009 over audited FY 2008 is 2.8 percent vs. the revised growth estimate of -1.3 percent adopted in November. In FY 2009, June 2008 interstate trucking payments were made in July 2008 causing an understatement of \$1.7 million. In FY 2008, an understatement of \$1.8 million occurred in July 2007 due to the late payment for June 2007. Accounting for these adjustments yields a base growth rate of 2.1 percent for FY 2009 through March. Over the past five fiscal years, on average, 67.4 percent of motor vehicle license and fees have been collected through the end of March.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, smokeless tobacco (which also includes cigars and pipe tobacco), and a one-time cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes. In FY 2008 and FY 2009 no increase in the cigarette excise tax was passed into law and, as a result, no cigarette floor stock tax revenues were collected in FY 2008 and none have been collected through March of the current fiscal year. Total cigarette tax receipts for the first nine months of FY 2009 were up 4.7 percent compared to the same period a year ago. This rate of growth exceeds the revised cigarette revenue growth rate of 4.3 percent that was agreed to by the principals at the November 2008 REC. On average, over the past five fiscal years, 74.9 percent of Cigarettes tax collections were collected in the first nine months of the fiscal year.

Finally, the change in cigarette consumption is determined. First, the value of the cigarette floor stock tax and the smokeless tobacco products tax is netted out of the data. The result is

an increase in Rhode Island cigarette consumption of 4.8 percent for the first nine months of FY 2009 versus the first nine months of FY 2008.

Other Taxes

Annual Growth Rates	<u>Revised Growth Estimate</u> -20.8 %	<u>Actual YTD Growth</u> -17.8 %	<u>Base YTD Growth</u> -17.8 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$38.3 Million	<u>Actual YTD Cash</u> \$28.2 Million	

Total other taxes collected through March of FY 2009 totaled \$28.2 million versus \$34.4 million in other taxes collected during the same period last fiscal year, a decrease of 17.8 percent. The FY 2009 other taxes revised growth estimate is -20.8 percent over audited FY 2008 total other taxes. Inheritance tax collections totaled \$20.6 million through March of FY 2009, a decrease of 14.6 percent from the \$24.1 million collected through the first nine months of FY 2008. Given the fact that inheritance tax collections are volatile, it is not possible to make any valid comments about this revenue source. Racing and athletics tax collections through March of FY 2009 were down 12.8 percent relative to the same period in FY 2008. The revised growth estimate for racing and athletics tax collections is -11.1 percent. On average, over the past five fiscal years, 74.9 percent of racing and athletics tax collections were collected in the first nine months of the fiscal year. Realty transfer taxes were down by 28.6 percent through March of FY 2009 versus March of FY 2008. On average, over the past five fiscal years, 76.4 percent of realty transfer taxes were collected in the first nine months of the fiscal year.

Total Departmental Receipts

Annual Growth Rates	<u>Revised Growth Estimate</u> -7.0 %	<u>Actual YTD Growth</u> -14.3 %	<u>Base YTD Growth</u> -16.2 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$331.5 Million	<u>Actual YTD Cash</u> \$199.2 Million	

FY 2009 year-to-date departmental receipts total \$199.2 million, a decrease of \$33.1 million from the amount that was collected last fiscal year at this time. Actual departmental receipts for FY 2009 were down 14.3 percent when compared to receipts collected during the same period a year ago. The revised FY 2009 growth estimate is -7.0 percent over audited FY 2008 departmental receipt collections. It is important to note that, in the licenses and fees category of departmental receipts, the Hospital Licensing Fee for FY 2008 was not due until July 2008 and the cash payment received in FY 2009 was accrued back to FY 2008.

FY 2009 year-to-date growth in the licenses and fees category of departmental receipts is -7.6 percent or \$12.5 million less than FY 2008 through March 2008. The Hospital Licensing Fee for FY 2008 was received in July of FY 2009 and totaled \$70.3 million or \$3.6 million more than what was received in July of FY 2008 for FY 2007. Year-to-date interim Medicaid hospital rate

settlement payments were \$4.9 million lower through March 2009 over the same period in FY 2008. These payments are received irregularly throughout the year and the Department of Human Services was making an effort in FY 2008 to collect these payments at an accelerated pace. Rhode Island Historic Structures Tax Credit processing fees were \$3.7 million more in FY 2008 than in FY 2009 through March. FY 2009 year-to-date collections from fees associated with claims adjusters, annual settlements, pesticide registration, feed and fertilizer registration, mosquito abatement, pesticide surcharge, and driving record abstracts are down \$4.8 million when compared to receipts collected during the same period a year ago.

Fines and penalties are \$599,759 higher through the first nine months of FY 2009 versus the first nine months of FY 2008. Current year-to date collections associated with traffic tribunal fines, and penalty and interest on overdue taxes increased by \$3.0 million when compared with receipts collected during the same period a year ago. This increase is partially offset by a decrease in insurance administrative penalties of \$1.2 million over the comparable period in FY 2008.

In the sales and services category of departmental receipts, FY 2009 year-to-date growth is -60.1 percent over FY 2008 collections of \$25.4 million through March 2008. The majority of the FY 2009 decrease of \$15.3 million in sales and service revenues is a result of the statutorily delayed posting of FY 2007 uncompensated care payments. The FY 2007 uncompensated care payment to the Eleanor Slater Hospital was \$12.9 million however these reimbursements for uncompensated care were shifted into FY 2008 in the FY 2007 Appropriations Act. The FY 2007 Appropriations Act changed the date the uncompensated care reimbursement is required to be paid for FY 2007 to July 16, 2007, effectively FY 2008. The reimbursement was made in a timely manner; however, due to the statutory change in timing this payment causes year-to-date departmental revenues to appear artificially depressed. In addition, in FY 2008 the sales and services fees collected for Newborn Screening and Newborn Metabolic Testing for Hearing were general revenue receipt accounts. In FY 2009, these receipt accounts were converted to restricted receipt accounts. In FY 2008 through March a total of \$1.5 million had been collected as general revenue.

Finally, miscellaneous departmental revenues were down \$5.9 million, or -30.1 percent, through the first nine months of FY 2009 versus the first nine months of FY 2008. One cause of this difference is due to income on investments which is down \$1.9 million in FY 2009 vs. FY 2008 through March. An additional \$1.9 million less was collected in FY 2009 through March in Energy Office grants, \$(1.2) million, and emergency housing funds from the Rhode Island Housing Mortgage Finance Corporation, \$(778,176), than was the case in FY 2008 through March. It should be noted, however, that the decline in revenue collected from emergency housing funds program is mainly due to a change in administrative responsibility; since first quarter FY 2009 the Rhode Island Housing and Mortgage Finance Corporation is handling this account. These decreases were offset in part by an increase of \$671,102 in child support enforcement collections and of \$212,911 in miscellaneous revenues from the Department of the Attorney General that have been received in FY 2009 vs. FY 2008.

Adjusting FY 2008 total departmental receipts for the hospital licensing fee and the uncompensated care payment and FY 2009 total departmental receipts for the hospital licensing fee and the late posting of child support enforcement collections results in an adjusted growth rate of -16.2 percent from adjusted FY 2008 departmental receipts collected through March 2009.

Gas Tax Transfer

Annual Growth Rates	<u>Revised Growth Estimate</u> -0.9 %	<u>Actual YTD Growth</u> -2..6 %	<u>Base YTD Growth</u> -2.6 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$4.475 Million	<u>Actual YTD Cash</u> \$3.338 Million	

The Gas Tax Transfer is down \$87,639 or -2.6 percent, for FY 2009 through March when compared to FY 2008 for the same period. The revised growth rate estimate for the gas tax transfer is -0.9 percent. In both FY 2009 and FY 2008, \$0.01 per gallon of the State's \$0.30 per gallon motor fuel tax is dedicated to the general fund.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Revised Growth Estimate</u> -90.9 %	<u>Actual YTD Growth</u> -92.6 %	<u>Base YTD Growth</u> 34.8 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$16.6 Million	<u>Actual YTD Cash</u> \$9.5 Million	

Other Miscellaneous Revenues were down 92.6 percent in FY 2009 when compared to the same period one year ago. FY 2009 year-to-date collections total \$9.5 million compared to \$127.2 million collected at this time last fiscal year. The bond proceeds from the sale of residual Tobacco Settlement payments were posted to the General Fund in August 2007 in the amount of \$124.0 million. This was a one-time receipt that does not repeat in FY 2009. The revised FY 2009 growth estimate for other miscellaneous revenues is -90.9 percent from audited FY 2008 collections. Adjusting for the one-time receipt of the residual Tobacco Settlement payment bond proceeds and the early receipt in FY 2009 of operating transfers from quasi-public agencies yields a base fiscal year-to-date growth rate of 34.8 percent.

Lottery Transfer

Annual Growth Rates	<u>Revised Growth Estimate</u> -1.5 %	<u>Actual YTD Growth</u> -4.7 %	<u>Base YTD Growth</u> -4.7 %
Annual Dollar Values	<u>Revised Revenue Estimate</u> \$349.1 Million	<u>Actual YTD Cash</u> \$221.0 Million	

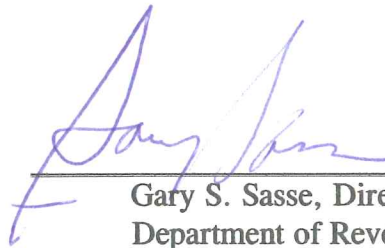
The Lottery Transfer to the general fund is down 4.7 percent, or \$10.9 million, in the FY 2009 fiscal year-to-date period compared to the same period last year. In the 2008 session, the General Assembly passed legislation that dedicated the state's share of the net terminal income from the implementation of 24 hours a day/three days a week (i.e., weekends and holidays) at Twin River to the Permanent School Fund. Through the first nine months of FY 2009, this has resulted in \$5.7 million being transferred to the Permanent School Fund.

The Division of Lottery reports the following information on the components of the lottery transfer through February:

Component	FY 2008	FY 2009	Percent Difference	Revised Growth Estimate
Combined Games	\$38,356,423	\$39,264,891	2.4 %	0.4 %
Video Lottery*	191,398,597	181,171,124	-5.3 %	-1.9 %
Total	\$229,755,020	\$220,436,015	-4.1 %	-1.5 %
* Excludes transfer to the Permanent School Fund.				

In the first eight months of FY 2009, video lottery net terminal income (NTI) fell to \$300.2 million or -2.8 percent versus the same period in FY 2008. This trails the revised growth rate of 0.5 percent over FY 2008 adopted at the November 2008 Revenue Estimating Conference. The FY 2009 transfer to the general fund from the video lottery terminals (VLT) is down 5.3 percent through February when compared to the same period in FY 2008. The FY 2009 revised growth estimate for this transfer is -1.9 percent over audited FY 2008 VLT transfer.

FY 2009 year-to-date collections from instant ticket and monitor games increased by 2.4 percent during the first eight months of FY 2009 versus the same period last year. The FY 2009 revised growth rate estimate for instant and monitor games is 0.4 percent over audited FY 2008.



Gary S. Sasse, Director
Department of Revenue

April 6, 2009

STATE OF RHODE ISLAND
Year To Date Revenues

	FY 2008	FY 2009		Revised
	March	March	Change	Estimate
<u>Personal Income Tax</u>	707,450,393	643,522,201	-9.0%	-5.8%
<u>General Business Taxes</u>				
Business Corporations	98,499,667	72,959,362	-25.9%	-28.2%
Public Utilities Gross Earnings	43,089,112	55,980,750	29.9%	5.1%
Financial Institutions	1,284,098	(202,894)	-115.8%	9.3%
Insurance Companies	23,457,443	25,494,046	8.7%	13.2%
Bank Deposits	630,733	726,292	15.2%	-0.6%
Health Care Provider Assessment	39,390,689	35,598,996	-9.6%	-8.2%
<u>Excise Taxes</u>				
Sales and Use	641,641,727	622,516,688	-3.0%	-1.6%
Motor Vehicle	29,245,969	30,066,978	2.8%	-1.3%
Motor Fuel	785,461	659,864	-16.0%	-6.2%
Cigarettes	86,480,615	90,506,085	4.7%	4.3%
Alcohol	8,002,125	7,826,572	-2.2%	-0.4%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	24,137,681	20,606,074	-14.6%	-20.8%
Racing and Athletics	2,080,160	1,813,611	-12.8%	-11.1%
Realty Transfer	8,164,126	5,827,759	-28.6%	-23.7%
 Total Taxes	\$ 1,714,339,999	\$ 1,613,902,384	-5.9%	-4.5%
<u>Departmental Receipts</u>				
Licenses and Fees	165,214,857	152,675,848	-7.6%	
Fines and Penalties	22,103,433	22,703,192	2.7%	
Sales and Services	25,398,015	10,127,178	-60.1%	
Miscellaneous	19,640,526	13,737,846	-30.1%	
 Total Departmental Receipts	\$ 232,356,831	\$ 199,244,064	-14.3%	-7.0%
 Taxes and Departmentals	\$ 1,946,696,830	\$ 1,813,146,448	-6.9%	-4.8%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	3,425,973	3,338,334	-2.6%	-0.9%
Other Miscellaneous Revenues	127,237,475	9,464,770	-92.6%	-90.9%
Lottery Transfer	231,889,832	220,957,105	-4.7%	-1.5%
Unclaimed Property	-	-	-	-39.6%
 Total Other Sources	\$ 362,553,280	\$ 233,760,209	-35.5%	-31.8%
 Total General Revenues	\$ 2,309,250,110	\$ 2,046,906,657	-11.4%	-9.2%